

Message Text

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ACTION AGR-20

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FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 3426

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PASS AGRIC/FAS FOR B.K. MEEKER AND R.A. OWEN

E.O. 11652: N/A

TAGS: EAGR, GT

SUBJECT: AGRICULTURAL PRODUCTION DISINCENTIVES

FOLLOWING RECEIVED FROM CONSULATE GENERAL,
BELIZE, IT SUPPLEMENTS MAY 30 REPORT, GT-4014,
AGRICULTURAL DISINCENTIVES IN GUATEMALA, HONDURAS,
AND BELIZE.

"1. BELIZE HAS THREE MAJOR DISINCENTIVES WHICH
HAVE TO DATE ALMOST ELIMINATED MUCH REAL INVEST-
MENT IN AGRICULTURE. TWO OF THESE DISINCENTIVES
ARE LEGISLATIVE AND ONE IS STRUCTURAL.

"2. THE TWO LEGISLATIVE DISINCENTIVES ARE PRICE
CONTROLS AND ALIEN LANDHOLDING ACT.

"A. GOB HAS LEVIED PRICE CONTROLS ON NEARLY EVERY
FOODSTUFF. RESULT IS THAT INSTEAD OF SUPPLYING
URBAN DWELLER WITH SUBSIDIZED FOOD AT EXPENSE OF THE
PRODUCER, GOB HAS CREATED SHORTAGES. FOR INSTANCE,
LOCAL FARMERS HAVE DECIDED THEY CANNOT AFFORD TO GROW
RICE AT CONTROLLED PRICE OF U.S. DOLS 8.00 A HUNDRED-
WEIGHT. TO AVOID IMPORTING, GOB HAS REQUIRED BIG FALLS
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RANCH TO SUPPLY LOCAL MARKET AT CONTROLLED PRICE OF BZE

DOLS 0.30 PER POUND. THIS PRICE IS IN CONTRAST TO THE BZE DOLS 0.60. PER POUND BIG FALLS RECEIVED FOR EXPORT RICE FOB. LOCAL CONSUMPTION WILL TAKE ABOUT 50 PER CENT OF ITS PRODUCTION THIS YEAR. OTHER EXAMPLES, LIKE RED KIDNEY BEANS, FRESH VEGETABLES, BEEF, PORK, POULTRY, ABOUND.

"B. THIS YEAR GOB APPROVED ALIEN LANDHOLDING ACT WHICH FORBIDS FOREIGNER FROM BUYING LAND UNTIL HE HAS OBTAINED LICENSE FROM MINISTRY OF AGRICULTURE. LICENSE STIPULATES TERMS FOR DEVELOPMENT OF THE LAND, AND THE MINISTER CAN CHANGE THESE TERMS AT ANY TIME. FURTHER, IF MINISTRY BELIEVES TERMS OF LICENSE HAVE BEEN VIOLATED, THEN ALL LAND AND EVERYTHING ON IT ARE FORFEITED TO THE CROWN. EFFECT IS THAT THERE IS NO CLEAR TITLE TO THE LAND. THUS, BANKS CANNOT FINANCE ANY FOREIGN-OWNED AGRICULTURAL PROJECTS BECAUSE THERE IS NO COLLATERAL. RESULT HAS BEEN TO STIFLE ANY FOREIGN INTEREST IN ANY PROJECT WHICH REQUIRES LAND.

"3. THIRD DISINCENTIVE IS THE SIZE OF LOCAL MARKET. A TON OF TOMATOES, FOR EXAMPLE, DELIVERED IN BELIZE CITY WOULD FLOOD LOCAL MARKET. THUS, ANY COMMERCIAL AGRICULTURE IN BELIZE MUST BE ORIENTED TOWARD EXPORT MARKET. CAPITAL AND TECHNICAL KNOWLEDGE FOR THIS TYPE OF AGRICULTURE DOES NOT EXIST IN COUNTRY; ONLY FOREIGNERS COULD PROVIDE IT. HOWEVER, WITH ALIEN LANDHOLDING ACT, FOREIGNERS HAVE BEEN EXCLUDED. CLEARLY, THE OUTLOOK FOR AGRICULTURE IN BELIZE, WITH EXCEPTION OF SUGAR AND CITRUS, IS BLEAK IN THE MEDIUM AND LONG TERM.

"4. DECLASSIFY UPON RECEIPT." (END MESSAGE)
MELOY

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